

## **Issue 75: INSIDER'S EDGE: Issue 70 REVISED--When do the MAGI Relationship-Based Rules Apply?**

Welcome back, Insiders! Even though we do our best here at the Insider's Edge, today we have a small revision to make *Issue 70: INSIDER'S EDGE: When do the MAGI Relationship-Based Rules Apply?*



Our eagle-eyed readers caught a small error in *Issue 70*. Kudos to the three caseworkers from Baltimore City, Baltimore County, and Talbot County for the catch!

In that edition, I told you that under the relationship-based rules, the household of a child (under age 21) includes caretaker adults when a household is headed by a non-parent caretaker adult. **This is incorrect.**

**Under the relationship-based rules, a child's household would include:**

- A child applying for coverage.
- Any of the child's parents or stepparents (or adoptive parents), if living with the child.
- Any of the child's siblings or stepsiblings (or adoptive siblings) under age 21 and living with the child.
- If the child is married, the spouse (if the spouse is living with the child); and if the child has their own children, the children and step-children (if living with the married child).

This correction means that the outcome of Scenario 2 in *Issue 70* will be different. Since the relationship-based rules are complicated, I've included a corrected version of *Issue 70* below. We'll also be revisiting the relationship-based rules and how they apply in different scenarios in future issues.

**Special Note for Caseworkers:** If you participated in a training session last fall and still have your binder of materials, please note the changes discussed above apply to the discussion of the relationship-based rules in Lesson 7: Modified Adjusted Gross Income (MAGI) Medicaid Eligibility and Other Medicaid Rule Changes.

**REVISED: Issue 70: INSIDER'S EDGE: When do the MAGI Relationship-Based Rules Apply?**

Dear Marge,

Can you let us know what would happen in the following two scenarios?

1) A mother is claiming her 21 year old son on 2013 taxes, but not taxes for 2014. The 21 year old son does not plan to file taxes in 2014 and does not expect to be claimed as a dependent by anyone. Do we still count mother's income to determine eligibility for her 21 year old son?

2) An uncle and nephew live together. The uncle is not claiming nephew on his taxes. The nephew does not intend to file taxes in 2014 and no one else is claiming the nephew as a tax dependent. Do we still count the uncle's income to determine nephew's eligibility?

--Curious Caseworkers, Howard County

Thanks for the excellent questions! Both of your scenarios relate to a topic we first looked at in *Issue 67: INSIDER'S EDGE: Adult Dependents Who Are Not Children or Spouses*—namely when the relationship-based rules are triggered when determining who is in a Medicaid household, so let's start there!



*Grab your hard hats, Insiders! Today, we're looking at household construction rules.*

### **The Basics: Relationship-Based Rules**

As you know by now, for purposes of determining eligibility for insurance affordability programs including Medicaid, in most cases the household includes the people who file federal income taxes together for the taxable year in which the eligibility determination is made.

- Tax filer is head of household and usually primary applicant;
- Tax filer's spouse (must file jointly for APTC/CSR);
- Anyone else the tax filer will claim as a tax dependent (i.e. claim a personal exemption deduction for) on that year's tax return.
  - For example, the taxpayer's older children will count toward the family size if the taxpayer claims them as a dependent *even if* they don't live at home.

There are a number of situations in which the household rules used to determine Medicaid eligibility are different from the general tax-based household rules. When these exceptions arise, the Medicaid household for the applicant is constructed based on the relationships between family members who live together and is not based on tax filing relationships.

So what exceptions trigger use of the relationship-based rules for Medicaid eligibility determinations?

<b>Application of Relationship-Based Rules</b>
1) Applicant is not planning to file taxes.
2) Individual is claimed as a dependent by person who is not a parent or step-parent, for example, a grandparent or other caretaker relative.
3) Child, under age 21, lives with both parents, but only one parent will claim the child as a tax dependent.

4) Child, under age 21, lives with a custodial parent but will be claimed as a tax dependent by a noncustodial parent.

If one of the exceptions above is triggered, how is the household constructed using the relationship-based rules?

For adults, a household must consist of:

- Adult applying for coverage;
- Adults's married spouse, if living with the applicant; and
- Adult's natural, adopted and stepchildren, or any child for whom they act as a caretaker, up to age 21, if living with the adult.

For children (under age 21), a household must consist of:

- A child applying for coverage.
- Any of the child's parents or stepparents (or adoptive parents), if living with the child.
- Any of the child's siblings or stepsiblings (or adoptive siblings) under age 21 and living with the child.
- If the child is married, the spouse (if the spouse is living with the child); and if the child has their own children, the children and step-children (if living with the married child).

### **The Rules in Action: Howard County's Questions Answered**

**1) A mother is claiming her 21 year old son on 2013 Taxes, but not taxes for 2014. The 21 year old son does not plan to file taxes in 2014 and does not expect to be claimed as a dependent by anyone. Do we still count mother's income to determine eligibility for her 21 year old son?**

No. Remember, MAGI households are based on how an applicant expects to file federal taxes for the taxable year in which the eligibility determination is being made. This means that when a person seeks coverage in 2014, his/her household should be based on how he/she expects to file taxes for 2014 in April 2015—not how he/she filed 2013 taxes.

So what does that mean for our mom in question? If the mother does not intend to claim her 21 year old child as a dependent when she files her 2014 taxes in April 2015, the two will be considered separate households under the MAGI rules.

So what does that mean for our 21 year old? If the 21 year old son does not intend to file taxes in 2014 because his income is below the filing threshold and he will not be claimed as a dependent by anyone, his household should be constructed using the relationship-based rules.

Remember, although the mother in this case may always think of her son as her little boy, because he is 21, he is not considered a minor for purposes of the relationship-based rules. Therefore, his household will be constructed according to the adult relationship-based rules.



*I didn't think it was possible, but these two are officially even more excited about the relationship-based rules than I am!*

**2) An uncle and nephew live together. The uncle is not claiming nephew on his taxes. The nephew does not intend to file taxes in 2014 and no one else is claiming the nephew as a tax dependent. Do we still count the uncle's income to determine nephew's eligibility?**

No. In this case, the relationship based rules will apply because nephew does not plan to file taxes and he is not being claimed as a dependent by anyone. Regardless of the nephew's age, the uncle's income will **not** be counted to determine the nephew's eligibility. We'll walk through the scenario considering the nephew, first as a child, and secondly as an adult, though you'll see the outcome is the same!

- If the nephew is under 21, the child relationship-based rules will apply.
  - Nephew—Since the nephew does not live with his parents or his siblings, is not married, and has no children of his own living with him, he is a household of 1.
- If the nephew is 21 or older, the adult relationship-based rules will apply.
  - Nephew—Since the nephew does not have a spouse living with him or any children of his own living with him, he is a household of 1.

**What if the uncle *did* claim the nephew as a dependent?** If the uncle claims his nephew as a dependent, the second exception triggering the application of the relationship-based rules would apply:

- Individual is claimed as a dependent by person who is not a parent or step-parent, for example, a grandparent or other caretaker relative.

Here's what the households would look like if the uncle claims the nephew as a tax dependent:

- Nephew—The relationship-based rules will apply. The nephew has a household of 1 since there are no parents, spouses, or siblings to include in the nephew's household.
- Uncle—The standard household construction rules will apply. The uncle has a household of 2 since he claims his nephew as a tax dependent.

**See you next time!** Have a question? E-mail me: [dhmh.medicaidmarge@maryland.gov](mailto:dhmh.medicaidmarge@maryland.gov).